# Grady Health System and Medicaid

Presentation to
HOUSE OF REPRESENTATIVES
Special Committee on Grady Hospital
August 28, 2007

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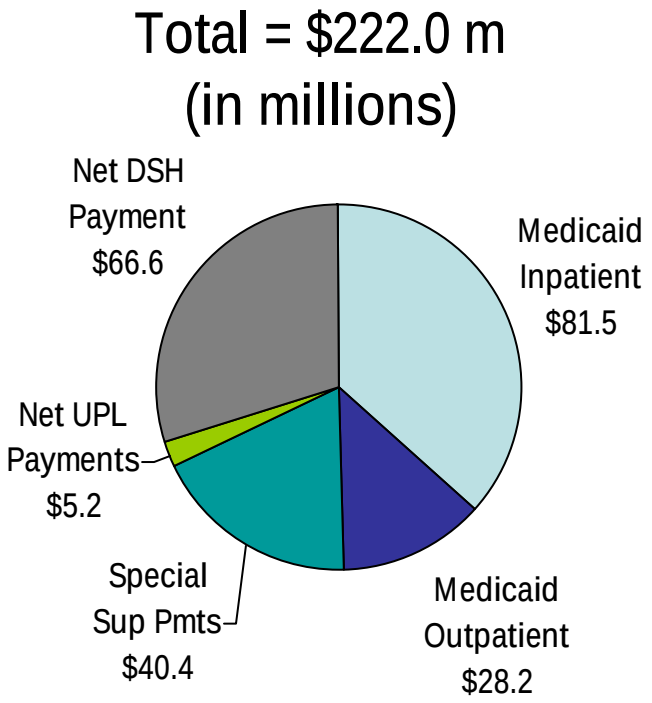
# Agenda

- Grady and Medicaid
- Indigent Care Trust Fund/Disproportionate Share Hospital
  - ICTF Overview
  - DSH Eligibility and Allocation Methodology
  - FY 2008 Status
    - Hospital Advisory Committee Review
    - Payment Schedule

# Medicaid Payments to Grady

Payment Types:

- Regular Medicaid Inpatient/Outpatient
- Special Supplemental Payments provide federal matching funds for:
  - Morehouse School of Medicine operating grant
  - GBPW Residency programs
  - DHR Neonatal payments
  - DHR Contract (Sickle Cell, Poison Control, HIV/AIDS)
- Upper Payment Limit Payments
- Disproportionate Share Payments




**SOURCE: Information used to calculate FY 2007 DSH payments**

# Indigent Care Trust Fund (ICTF) Purposes

Enacted in 1990 via a Constitutional Amendment

- Article III, Section IX, Paragraph VI (i)

OCGA 31-8-154 requires ICTF funds to be used for any one or a combination of the following:

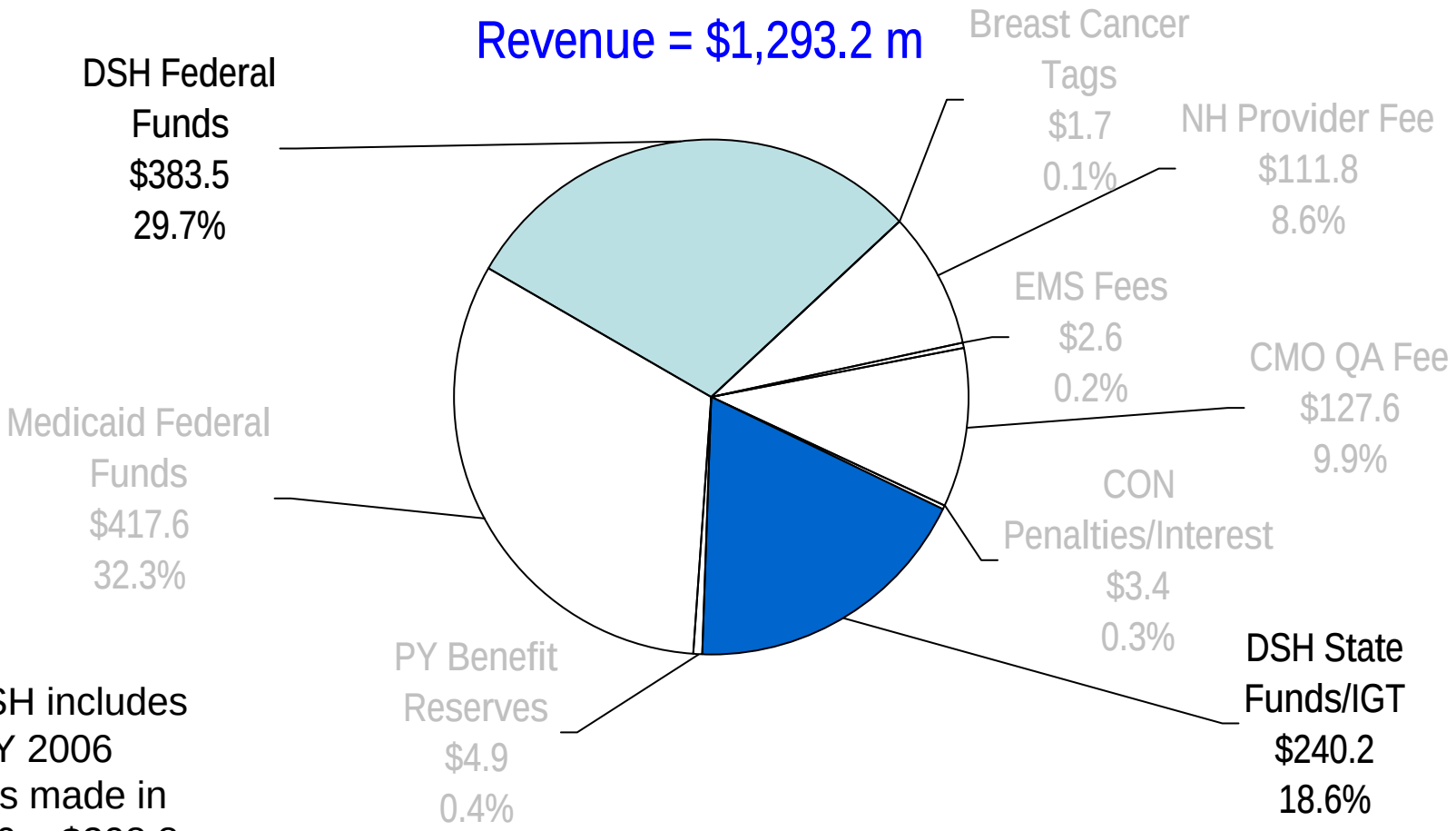
- (1) To expand Medicaid eligibility and services;
- (2) For programs to support rural and other healthcare providers, primarily hospitals and nursing homes, who serve the medically indigent; and/or
- (3) For primary healthcare programs for medically indigent citizens and children of this state.
- (4) Any combination of purposes specified in paragraphs (1) through (3) of this Code section.

# ICTF Structure

ICTF – Umbrella over multiple revenue sources earmarked for specific purposes:

- Disproportionate Share Hospital (DSH)
- Nursing Home Provider Fee
- CMO Quality Assessment Fee
- Ambulance/EMS Licensing Fees
- CON Penalties
- Breast Cancer Tags
- Intergovernmental Transfers
- Federal Funds

# FY 2007 Indigent Care Trust Fund




Note: DSH includes partial FY 2006 payments made in July 2006 = $208.8 m

# Disproportionate Share Hospital Program

States must make additional payments to qualified hospitals that provide inpatient services to a disproportionate number of Medicaid beneficiaries and/or to other low-income or uninsured persons under what is known as the "disproportionate share hospital" (DSH) adjustment.

FY 2007 Payments: $408.5 m

# DSH Eligibility Criteria

## Federal Criteria (BOTH)

- Medicaid inpatient utilization rate of at least 1%; AND
- 2 Obstetricians providing Medicaid Services
  - Rural Hospital Exception

## State Criteria (ONE)

- Medicaid inpatient utilization one standard deviation above the mean
- Low Income Utilization > 25%

## State Criteria (ONE) - continued

- Medicaid/PCK Charges > 15% Total Charges
- Largest Medicaid hospital in MSA
- Children's Hospital
- Regional Perinatal Center
- Medicare rural referral center
- Regents Hospital
- Rural, public hospital < 250 beds

# Current Allocation Methodology

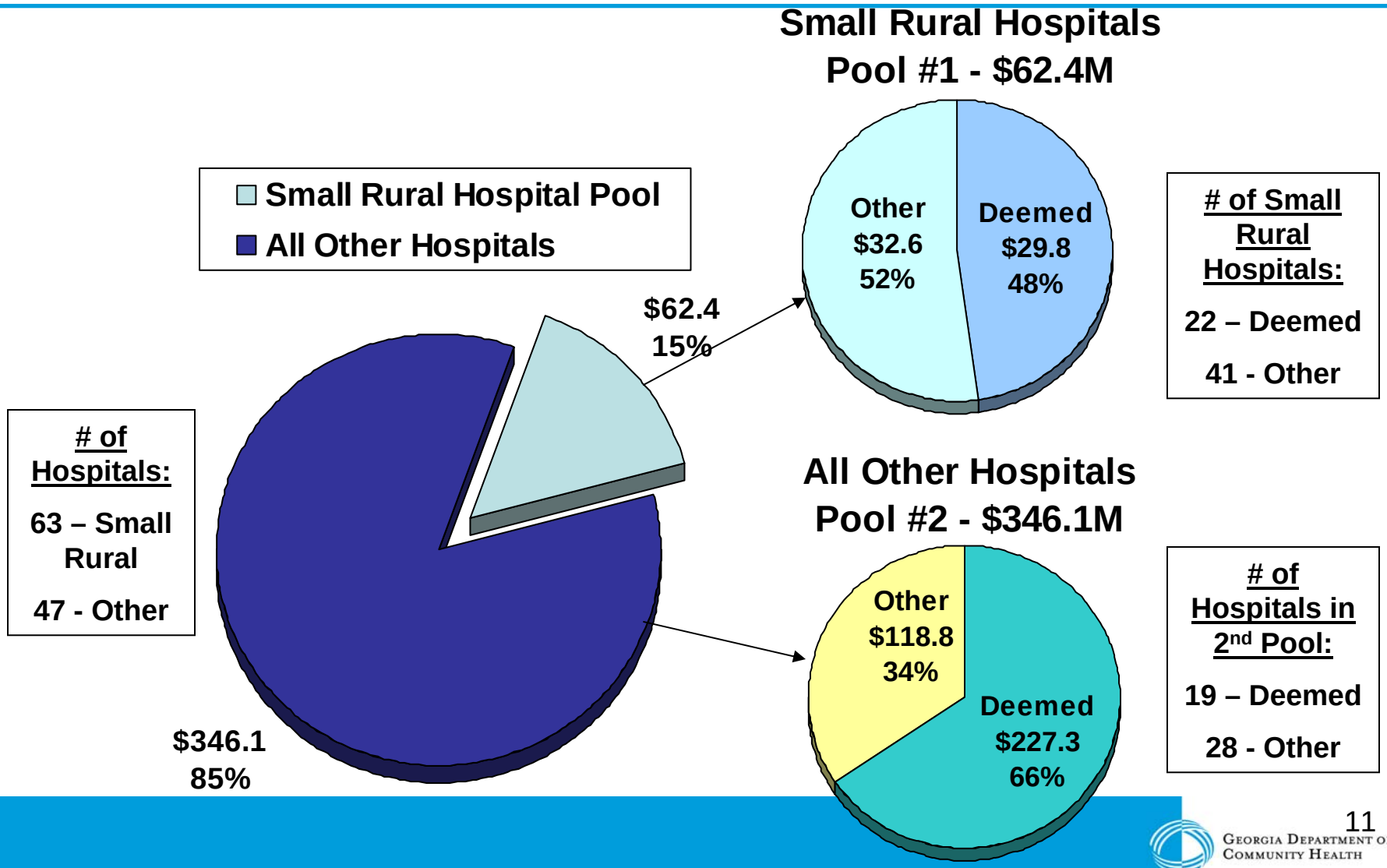
## STEPS TO DETERMINE ALLOCATION

1. ID amount of DSH available.
2. Determine each hospital's DSH limit.
3. Make adjustments to individual DSH limits as follows:
   - Recognize that public hospitals contribute IGT's for UPL and DSH payments
   - Negate the impact of adjustment payments related to medical education, neonatal services or services provided under contract with the Georgia Department of Human Resources.
   - Recognize hospitals that disproportionately provide care to Medicaid members and low income citizens with a 10% increase in their DSH limit. (a.k.a. "Deemed")

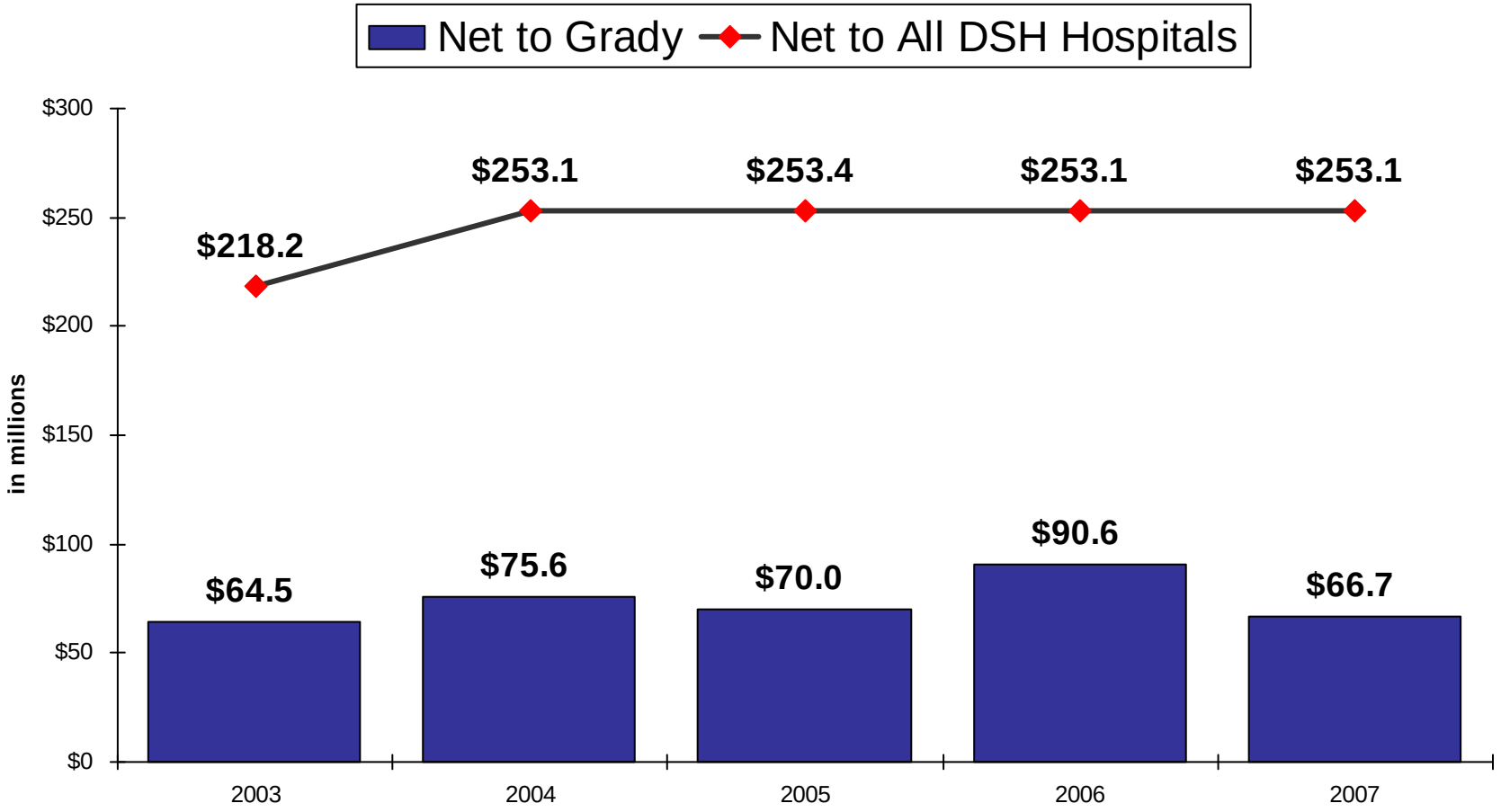
# Current Allocation Methodology (continued)

4. Create a pool for small, rural hospitals based on the amount paid to the group in FY 2005.
   - Pool changes relative to total DSH pool.
   - Allocate pool based on hospitals' adjusted DSH limit as compared to the sum of all hospitals' total adjusted DSH limits.
5. Create secondary pool for all other hospitals out of the remaining DSH funds.
   - Allocate pool based on hospitals' adjusted DSH limit as compared to the sum of all hospitals' total adjusted DSH limits.
6. Ensure allocations to private hospitals do not exceed available state matching funds.

# FY 2007 Allocation of DSH - $408.5M



# History of DSH Payments to Grady






Georgia Department of Community Health

# Need for DSH Reform in FY 2008

Program no longer recognizing disproportionality…

- 2/3 of hospitals received a DSH payment in FY 2007
- Eligibility Criteria not re-evaluated since 1990's; don't necessarily identify who is "disproportionate" by today's standards

OTHER ISSUES:

- Low regular Medicaid reimbursement puts pressure on the DSH program to subsidize Medicaid losses
- Increase in the number of the uninsured using hospital services
- Federal DSH Funds not increasing

# DSH Reform - Guiding Principles

## Initially Adopted 9/29/2005 and Re-Affirmed 7/12/2007 unanimously

- DSH payments should be directed in proportion to uncompensated care provided.
- DSH payments should be based on uncompensated care.
- All hospitals should be reimbursed based upon a uniform methodology.
- DSH payments must be based upon available, transparent and easily verifiable data.
- The state should maximize DSH and UPL payments.

# DSH Reform - Guiding Principles

## Other Principles:

- Changes in DSH payments should not put an undue burden on any hospital group. (6-4 vote)
- Eligibility criteria should be reconsidered (9-0-1 vote)

## DATA

- Have agreed to use 2005 data again to avoid issues stemming from CMO implementation in 2006

# State Eligibility Criteria

| Criteria | Current | Discussed | Notes |
|---|---|---|---|
| 1. Inpatient Utilization rate | Greater than the average + one standard deviation<br>(Federal definition of "Deemed" with #2) | 1. Also consider outpatient<br>2. Greater than the average | Current = 32.6%<br>Average = 20.13% |
| 2. Low-Income Inpatient Utilization rate | Greater than 25 percent<br>(Federal definition of "Deemed" with #1) | 1. Also consider outpatient<br>2. Greater than the average | Average = 22.45% |

# State Eligibility Criteria (cont.)

| Criteria | Current | Discussed | Notes |
|---|---|---|---|
| 3. Medicaid charges | Greater than 15% of total charges | 1. Also Consider uninsured<br>2. Greater than the average | Average = 16.17% |
| 4. Admissions | Largest number of admissions in the Metropolitan Statistical Area | Eliminate this criteria | 2006 – 15 MSA's<br>1993 – 8 MSA's |
| 5. Children's Hospital | Yes | No | All CH's eligible under other criteria |

# State Eligibility Criteria (cont.)

| Criteria | Current | Discussed | Notes |
|---|---|---|---|
| 6. Regional Perinatal Center | Yes | No | 1 hospital UTCO |
| 7. Medicare rural referral center AND a Medicare DSH provider | Yes | No | 3 hospitals UTCO |
| 8. State-owned and Operating teaching hospital | Yes | No | MCG qualifies elsewhere |
| 9. Small, rural public hospital | 1. Less than 250 beds<br>2. Medicaid inpatient utilization rate at least 1% | 1. 100 beds or less<br>2. No discussion yet | 16 hospitals UTCO |

UTCO – under this criteria only

# State Eligibility Criteria (cont.)

Other Eligibility Discussions:

- Trauma Hospitals
- Uncompensated Medicaid and Uninsured (DSH Limit) as a percent of Total Allowable Cost
  - Rank from high to low and then determine threshold for eligibility (could be average)
- Only “Deemed” hospitals (meet #1 and #2 criteria)

# Allocation Methodology

Discussions to date:

- Scalability
  - Giving more weight in the allocation methodology to hospitals with higher levels of disproportionality
- Continued need for a separate pool for small, rural hospitals?
- Need for a phased-in change from old to new
  - Multi-year plan?

# Funding Issue

Private hospitals who qualify need a matching state fund source

- Cannot make intergovernmental transfers
- In FY 2006 and FY 2007, state funds appropriated in supplemental budgets of $14 m and $15.5 m, respectively.
- State required to make payments to private hospitals considered “deemed” (meet both #1 and #2 criteria)
- Based on FY 2007, state funds needed for deemed = $8.5 m in FY 2008 for 11 hospitals; state funds needed for all private hospitals = $15.0 m for 28 hospitals

# FY 2008 DSH Payment Timeline

| | |
|---|---|
| July – October 2007 | DSH Reform Discussions |
| October 2007 | Notice to Board on Changes |
| November 2007 | Board Votes to Approve |
| | DCH Submits SPA to CMS |
| December 2007 | Interim payments to Public Hospitals |
| No later than May 2008 | Final payments to All Hospitals |

# FY 2009 DSH

- Federal rule change effective May 2008
  - Changes who can send the state an intergovernmental transfer
  - Likely to impact most of the state's public hospitals
  - Will need alternative state matching fund source
  - Financing may drive another look at DSH eligibility and allocation methodology in FY 2009

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